

ABSTRACT

The banking sector plays a crucial role in supporting the growth and stability of Indonesia's economy. The fluctuating profitability of banks over the past decade reflects the influence of efficiency, bank-specific characteristics, industry conditions, and unstable macroeconomic factors. This study aims to analyze the impact of efficiency, bank-specific variables, industry conditions, and macroeconomic factors on the profitability of conventional banks listed on the Indonesia Stock Exchange (IDX) during the period 2013-2023. This research employs a quantitative approach with a descriptive research objective. Panel data regression analysis, which combines time series and cross-sectional data, is used in this study. Additionally, the parametric Stochastic Frontier Analysis (SFA) method is utilized to measure efficiency. The method used in this study to determine the sample is purposive sampling. The total sample in this study consists of 13 banks. The data for this study was obtained from various sources in the form of written documents.

The research results show that all banks in the sample have good efficiency levels. Partially, the variables efficiency, capital risk, stock market development, and GDP have a positive but insignificant effect on profitability. the variables bank size and inflation have a positive and significant effect on profitability, while the variables credit risk, liquidity risk, insolvency risk, bank diversification, and banking sector development have a negative and insignificant effect on profitability. Meanwhile, all independent variables simultaneously have a significant effect on bank profitability. This study suggests that academics could add or replace the existing variables with other variables and classify banks based on specific categories, such as bank types. Additionally, the practical suggestion is that banks could experience their sources of revenue and implement diversification strategies.

Keywords: Conventional Banks, Efficiency, Banking Performance, Macroeconomics, Stochastic Frontier Analysis (SFA), Profitability